

ITS and Innovative Finance

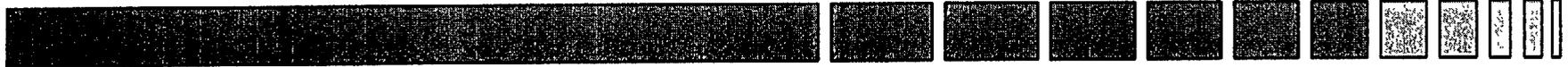
ITS Futures Group

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Presentation Outline



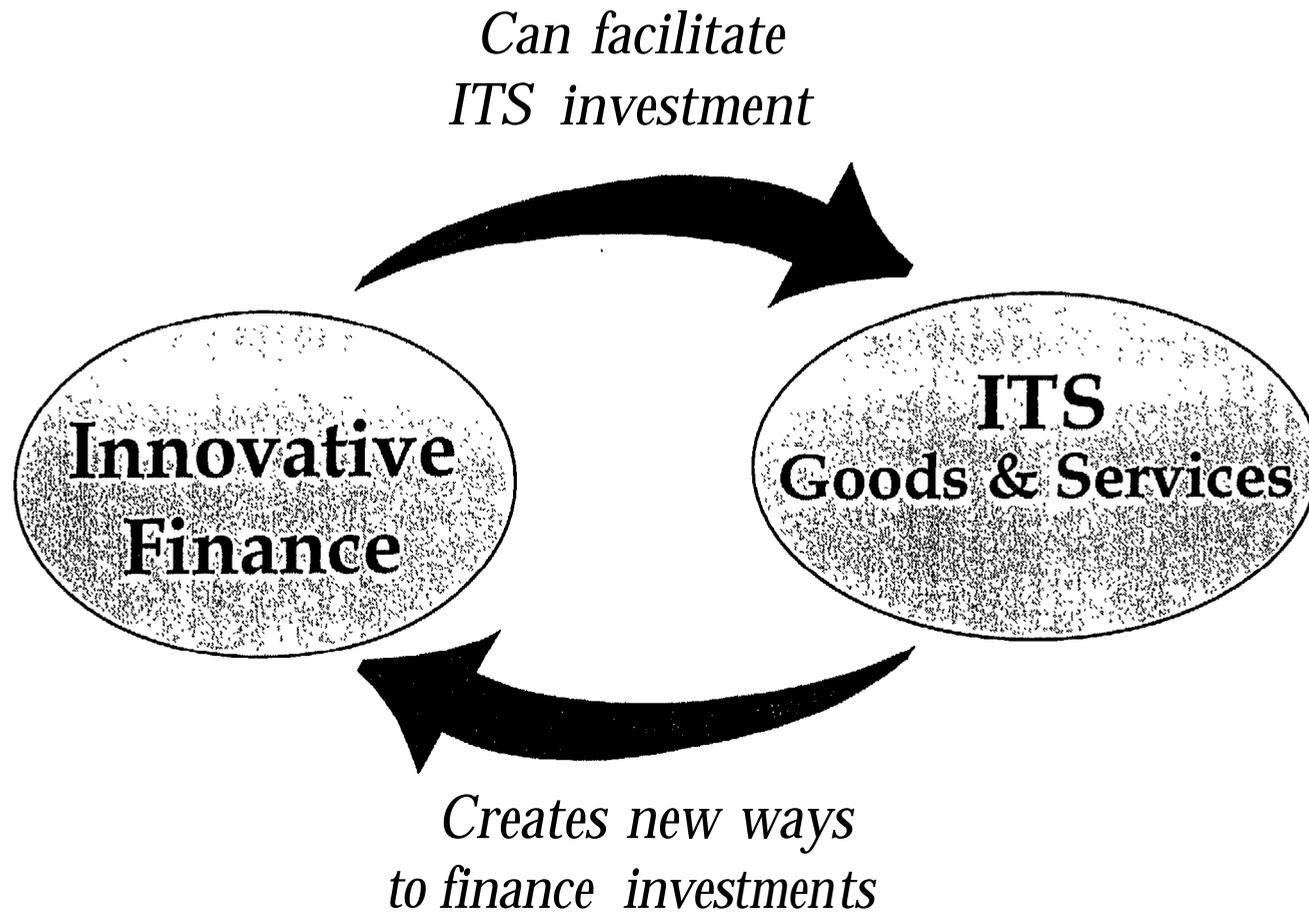
- **Demand for Innovative Finance**
- **Matching Financial Techniques to Needs**
- **Innovative Finance**
- **Examples**

Demand for Innovative Finance



- **Growing demand for transportation and ITS services**
- **Increasing market/user sophistication**
 - for example, ATIS, route guidance, and other technologies coming of age
 - Public sector, users, & developer strategies must change to meet new market realities
- **Changes in federal support**
 - Potential for cutbacks in federal ITS funding
 - Growing interest in financial partnerships

Relationship between ITS and Innovative Finance



Primary Goal: Increase Overall Investment



- **Begin with understanding of private and public investment constraints**
- **Relax constraints**
- **Develop incentives for private investment and for public-private partnerships**
 - Overcome institutional reluctance/opposition
 - Regulatory
 - Financial

Innovative Finance



Is anything that can:

- reduce costs,**
- stimulate new investment, or**
- accelerate investment**

. ..in the context of TE-045, it means regulatory flexibility at the federal level

Federal Innovative Finance: Recent History



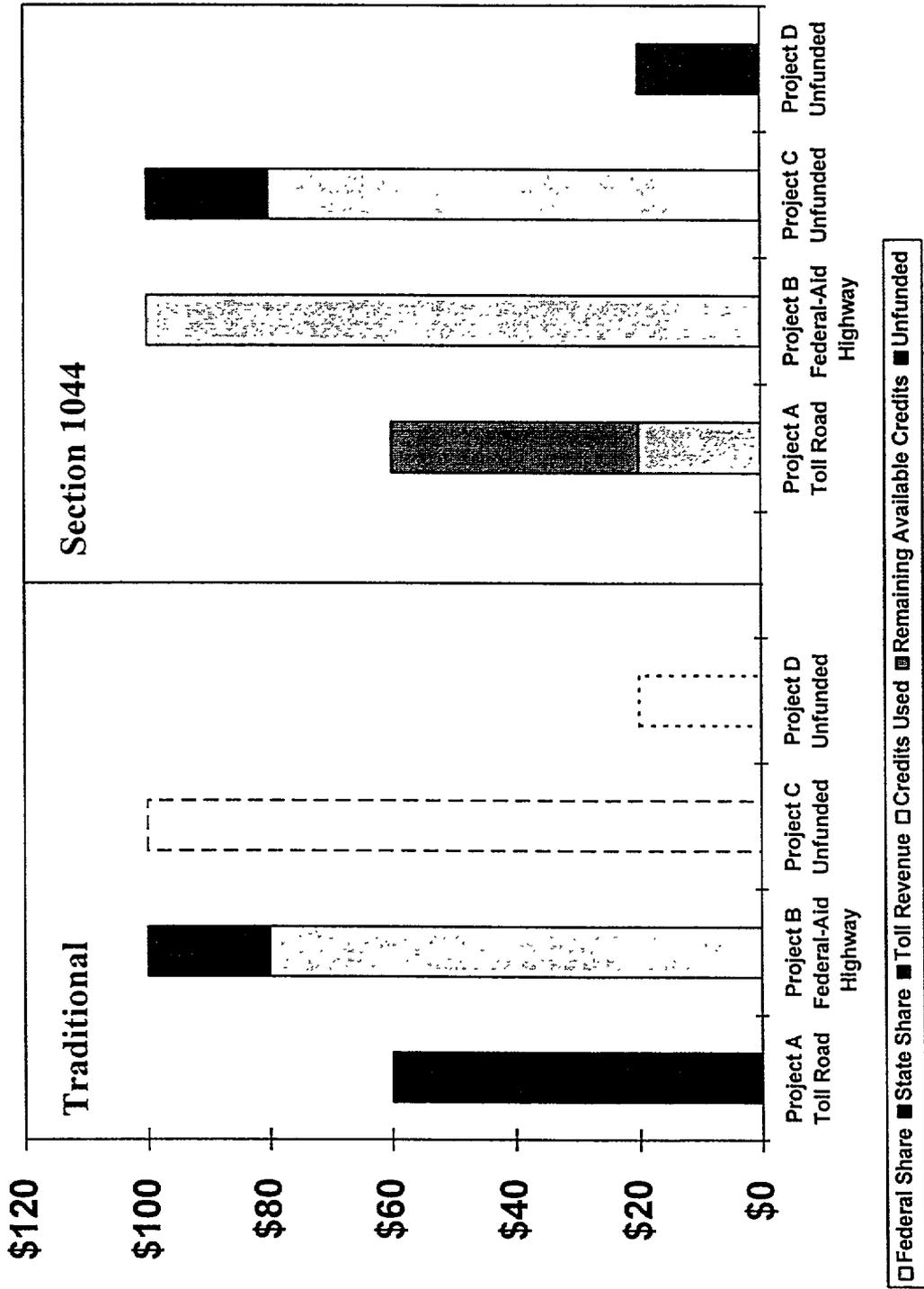
- **Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991**
- **Department of Transportation Innovative Finance Initiatives (1994- present, includes FHWA “TE-045”)**
- **National Highway System (NHS) Act of 1995**
-- creating State Infrastructure Bank (SIB) pilot program
- **Reauthorization of ISTEA (1997)**

TE-045 ● Tools



- **Flexible Management of Federal Funds**
- **Credit Enhancement Mechanisms**
- **Leveraging Tools (e.g., Section 1044)**
- **New or Expanded Revenue Sources**
- **Public-Private Partnerships**
- **State Infrastructure Banks (SIBs)**

Section 1044- Invest Toll Credits .



Innovative Finance Examples in ITS

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- **Shared Resources (numerous examples)**
 - **Flexible Match**
 - **San Antonio TMC TV**
 - **HOV “Buy-in”**
 - **Parking Management Systems**
 - **State Infrastructure Banks (“SIBs”)**

Flexible Fund Management Examples



- **Missouri Flexible Match: Missouri Highway and Transportation Department**
 - Missouri used contribution from private sector partner of telecommunications services as part of match for state highway
- **Tapering**
 - New flexibility allows state to use 100% federal funds in start-up of project, as long as overall share is 80% (allows state to fund feasibility study for technology without using state \$)

SIB Examples

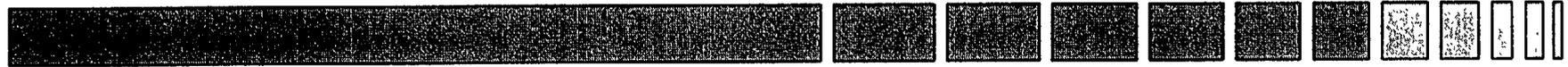


- **Advanced Traveler Information Systems (ATIS)**
- **Commercial Vehicle Operations systems**
- **Parking Management Systems**

..could make use of SIB “soft loan” provisions

- repayment can begin up to five years after construction
- low interest rate
- subordinated status

Opportunities for Innovative Finance



■ SIBS

- can provide low-cost financing for non-commercially viable ITS projects
- are now being established--as are rules for use

■ P-3

- Nine states have enabling legislation in P-3 for surface transportation
- This will facilitate shared resources and other ITS innovative finance

Next Steps

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- **Develop case studies**
 - to establish successes
 - to document revenue generating options/potential
 - **Work with SIB states**
 - **Examine barriers to ITS finance**